



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CLARK COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLARK COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

This Executive Summary of Clark County Fiscal Court's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2001. This summary should be read in conjunction with the County's financial statements that follow.

The Auditor of Public Accounts has completed the Clark County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Highlights:

- Cash balance at June 30, 2001 was \$4,444,647 a decrease of \$1,654,132 from the prior fiscal year. Most of the decrease is attributed to the County calling and paying off \$1,685,000 in outstanding bonds.
- Operating receipts increased by \$991,620 and budget expenditures increased by \$1,246,172.
- The County received and expended \$521,278 in Community Development Block Grant funds to install approximately 25.8 miles of waterlines. At year-end, this project was still in progress.
- The County received \$537,150 and expended \$482,122 in state grant funds from the Kentucky Heritage Land Conservation Fund Board for the purchase and management of the Lower Howard's Creek Heritage Park. At year-end, this project was still in progress.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$3,170,000. Future collections of \$3,909,324 are needed over the next 15 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,609,000 as of June 30, 2001. Future collections of \$3,915,536 are needed to meet principal and interest requirements of these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CLARK COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	12
SUPPORTING SCHEDULES:	
NOTES TO FINANCIAL STATEMENTS	14
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	25
SCHEDULE OF OPERATING REVENUE	29
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	33
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	37
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	45
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	49
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	50
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Drew Graham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Clark County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Clark County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Clark County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Clark County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Drew Graham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2002, on our consideration of Clark County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clark County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 7, 2002

CLARK COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Drew Graham	County Judge/Executive
Richard Mink	Magistrate
Garry Taylor	Magistrate
Billy Thomas	Magistrate
John Henry Ramsey	Magistrate
Clifton R. Smith	Magistrate
Joe McCord	Magistrate
Gerald Rogers	Magistrate
	Commissioner

Other Elected Officials:

Gardner Wagers	County Attorney
Bobby Stone	Jailer
Anita Jones	County Clerk
David Hunt	Circuit Court Clerk
Gary Lawson	Sheriff
Karen Bushart	Property Valuation Administrator
David Jacobs	Coroner

Appointed Personnel:

Jean L. Logsdon	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CLARK COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,995,952	
Road and Bridge Fund:		
Cash	235,369	
Jail Fund:		
Cash	984,854	
Local Government Economic Assistance Fund:		
Cash	<u>38,405</u>	\$ 3,254,580

Special Revenue Fund Type

Special Reserve - Rockwell Property Fund:

Cash	\$ 674,864	
State Grants Fund:		
Cash	<u>122,697</u>	797,561

Debt Service Fund Type

Public Properties Corporation Fund:

 Moneys in the Hand of Paying Agent:

 Refunding Revenue Bond Courthouse Project-

Bond Fund Account - Investments	\$ 1,545	
Debt Service Account - Investments	368,132	
Escrow Account - Cash	<u>22,829</u>	392,506

Other Resources

Special Revenue Fund Type

Water District Fund:

 Amounts to be Provided in Future Years by East Clark Water

 District for Kentucky Association of Counties Leasing Trust

Program - Capital Lease Principal Payments	2,609,000
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The accompanying notes are an integral part of the financial statements.

CLARK COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Total Assets and Other Resources (Continued)

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments - Principal	\$ 2,777,494
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Total Assets and Other Resources	<u>\$ 9,831,141</u>
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Liabilities and Fund Balances

Liabilities

Special Revenue Fund Types

Water District Fund:

Capital Lease Obligation - Lease Principal Payments (Note 5)	\$ 2,609,000
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Debt Service Fund Types

Public Properties Corporation Fund:

Bonds Not Matured (Note 4)	3,170,000
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Fund Balances

Reserved:

Special Revenue Fund Type

Special Reserve - Rockwell Property Fund	\$ 674,864	
State Grants Fund	<u>122,697</u>	797,561

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2001
(Continued)

Liabilities and Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$ 1,995,952	
Road and Bridge Fund	235,369	
Jail Fund	984,854	
Local Government Economic Assistance Fund	<u>38,405</u>	<u>\$ 3,254,580</u>
Total Liabilities and Fund Balances		<u><u>\$ 9,831,141</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CLARK COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,095,262	\$ 4,148,800	\$ 1,261,117	\$ 1,049,336
Transfers In	345,714	281		
Kentucky Advance Revenue Program	1,324,000	1,324,000		
Capital Lease Proceeds	382,000			
Total Cash Receipts	<u>\$ 10,146,976</u>	<u>\$ 5,473,081</u>	<u>\$ 1,261,117</u>	<u>\$ 1,049,336</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,373,401	\$ 3,641,834	\$ 1,165,804	\$ 1,165,306
Transfers Out	345,714	200,329		145,104
Bonds:				
Principal Paid - 1997 Series	210,000			
Interest Paid - 1997 Series	159,425			
Principal Paid - 1991 Series	80,000			
Interest Paid - 1991 Series	115,868			
Principal Paid - 1991 Bonds Called	1,685,000			
Call Premium	33,700			
Capital Lease - Principal	474,000			
Kentucky Advance Revenue Program Repaid	1,324,000	1,324,000		
Total Cash Disbursements	<u>\$ 11,801,108</u>	<u>\$ 5,166,163</u>	<u>\$ 1,165,804</u>	<u>\$ 1,310,410</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,654,132)	\$ 306,918	\$ 95,313	\$ (261,074)
Cash Balance - July 1, 2000	<u>6,098,779</u>	<u>1,689,034</u>	<u>140,056</u>	<u>1,245,928</u>
Cash Balance - June 30, 2001	<u>\$ 4,444,647</u>	<u>\$ 1,995,952</u>	<u>\$ 235,369</u>	<u>\$ 984,854</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

General Fund Types	Special Revenue Fund Types				Debt Service Fund Types
Local Government Economic Assistance Fund	Water District Fund	Special Reserve- Rockwell Property Fund	State Grants Fund	Federal Grants Fund	Public Properties Corporation Fund
\$ 59,872	\$ 227,442	\$ 42,564	\$ 658,977	\$ 521,278	\$ 125,876
	382,000				345,433
\$ 59,872	\$ 609,442	\$ 42,564	\$ 658,977	\$ 521,278	\$ 471,309
\$ 69,531	\$ 135,442	\$	\$ 674,206	\$ 521,278	\$
					281
					210,000
					159,425
					80,000
					115,868
					1,685,000
					33,700
	474,000				
\$ 69,531	\$ 609,442	\$ 0	\$ 674,206	\$ 521,278	\$ 2,284,274
\$ (9,659)	\$	\$ 42,564	\$ (15,229)	\$	\$ (1,812,965)
48,064		632,300	137,926		2,205,471
\$ 38,405	\$ 0	\$ 674,864	\$ 122,697	\$ 0	\$ 392,506

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clark County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

Additional Clark County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Clark County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Clark County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund (LGEA).

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Water District Fund, Special Reserve – Rockwell Property Fund, State Grants Fund and the Federal Grants Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles, generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Clark County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type/Special Revenue Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Treasury Obligations	\$ 369,677	\$ 0	\$ 0	\$ 369,677	\$ 369,677

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt

Refunding Revenue Bonds (Courthouse and Detention Facilities Projects)

On October 4, 1997, the Public Properties Corporation issued \$3,970,000 in First Mortgage Refunding Revenue Bonds for the purpose of refinancing the Court and Detention Facilities Projects prior bond issues. The bond proceeds are being held in escrow and will be used to make the principal and interest payments on the two prior bond issues. Principal payments are due each June 1, and interest payments are due each June 1, and December 1, with final maturity in fiscal year 2016. The amount of principal outstanding as of June 30, 2001, was \$3,170,000.

Bond Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2001-02	4.500%	\$ 149,975	\$ 215,000
2002-03	4.500%	140,300	220,000
2003-04	4.500%	130,400	235,000
2004-05	4.500%	119,825	245,000
2005-06	4.500%	108,800	255,000
2006-07	4.550%	97,325	270,000
2007-08	6.500%	85,040	280,000
2008-09	4.750%	72,020	290,000
2009-10	4.850%	58,245	230,000
2010-11	5.000%	47,090	240,000
2011-12	5.000%	35,090	100,000
2012-13	5.100%	30,090	105,000
2013-14	5.100%	24,735	105,000
2014-15	5.100%	19,380	115,000
2015-16	5.100%	13,515	265,000
Total		<u>\$ 1,131,830</u>	<u>\$ 3,170,000</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements

- A. On June 18, 1993, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,250,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2018. The outstanding principal balance as of June 30, 2001, was \$1,013,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2001-02	4.71%	\$ 46,986	\$ 37,000
2002-03	4.71%	45,185	40,000
2003-04	4.71%	43,261	42,000
2004-05	4.71%	41,244	44,000
2005-06	4.71%	39,132	46,000
2006-18	4.71%	254,011	804,000
Total		<u>\$ 469,819</u>	<u>\$ 1,013,000</u>

- B. On October 5, 1995, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,400,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2019. The outstanding principal balance as of June 30, 2001, was \$1,214,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2001-02	5.28%	\$ 63,153	\$ 43,000
2002-03	5.28%	60,839	45,000
2003-04	5.28%	58,397	48,000
2004-05	5.28%	55,818	50,000
2005-06	5.28%	53,134	52,000
2006-19	5.28%	404,318	976,000
Total		<u>\$ 695,659</u>	<u>\$ 1,214,000</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Lease Agreements (Continued)

- C. On May 7, 2001, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in order to refinance the lease agreement originally entered into on November 1, 1990, for the expanded construction of rural waterlines. The amount of the lease was \$382,000 to be repaid in 180 monthly payments of varying amounts terminating November 1, 2015. The outstanding principal balance as of June 30, 2001, was \$382,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2001-02	4.45%	\$ 16,628	\$ 20,000
2002-03	4.45%	15,738	20,000
2003-04	4.45%	14,830	21,000
2004-05	4.45%	13,895	21,000
2005-06	4.45%	12,942	22,000
2006-16	4.45%	67,025	278,000
Total		<u>\$ 141,058</u>	<u>\$ 382,000</u>

Clark County entered into a sublease agreement with the East Clark Water District to use the waterlines. The sublease agreement requires the East Clark Water District to make all lease payments. The East Clark Water District is in substantial compliance with the terms of the sublease agreement.

Total lease principal outstanding, for the Water District, as of June 30, 2001, was \$2,609,000.

Note 6. Insurance

For the fiscal year ended June 30, 2001, Clark County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The beginning balance of the Clark County Jail Canteen Fund was \$122,475 (Amount differs from prior year's ending balance, due to voided prior year outstanding checks). During the fiscal year ending June 30, 2001, the Clark County Jail Canteen Fund received \$173,281 and expended \$161,490. The balance of the Clark County Jail Canteen Fund, as of June 30, 2001, was \$134,266. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 8. Solid Waste Landfill - Lease Agreement

On June 4, 1998, Clark County Fiscal Court (hereinafter "County") entered into a lease agreement with Winchester Municipal Utilities (hereinafter "WMU") for the rental of county property upon which the County and WMU formerly operated landfills. The lease states, in part, "it is necessary for WMU to continue occupancy of the farm to meet post closure requirements of state and federal law." Terms of the lease, in part, "shall be twenty (20) years from the date hereof, or a minimum of two years after the landfills have a closure certification from the state;" and call for a rental payment of "One dollar (\$1.00) per year." The lease defines liabilities with regard to the maintenance of access roads, use of property, insurance on the property, and the allocation of post closure care costs provided by WMU. The County made payments to WMU in the amount of \$54,129 during the fiscal year ended June 30, 2001, for its share of post closure care costs.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CLARK COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,799,705	\$ 4,148,800	\$ (650,905)
Road and Bridge Fund	1,152,392	1,261,117	108,725
Jail Fund	918,428	1,049,336	130,908
Local Government Economic Assistance Fund	62,500	59,872	(2,628)
<u>Special Revenue Fund Type</u>			
Water District Fund	232,000	227,442	(4,558)
Special Reserve - Rockwell Property Fund	25,000	42,564	17,564
State Grant Fund	1,614,314	658,977	(955,337)
Federal Grant Fund	669,000	521,278	(147,722)
Totals	<u>\$ 9,473,339</u>	<u>\$ 7,969,386</u>	<u>\$ (1,503,953)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 9,473,339
Add: Budgeted Prior Year Surplus			3,568,238
Less: Other Financing Uses			<u>(1,780,158)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 11,261,419</u>

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SCHEDULE OF OPERATING REVENUE

CLARK COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	<u>GOVERNMENTAL FUND TYPES</u>			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 2,678,573	\$ 2,678,573	\$	\$
Excess Fees	338,631	338,631		
License and Permits	35,728	35,728		
Intergovernmental Revenues	4,034,102	2,857,604	1,176,498	
Charges for Services	304,345	76,903	227,442	
Miscellaneous Revenues	307,139	307,139		
Interest Earned	396,744	224,547	46,321	125,876
Total Operating Revenue	<u>\$ 8,095,262</u>	<u>\$ 6,519,125</u>	<u>\$ 1,450,261</u>	<u>\$ 125,876</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CLARK COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,326,521	\$ 1,189,719	\$ 136,802
Protection to Persons and Property	2,954,822	2,360,938	593,884
General Health and Sanitation	255,883	225,541	30,342
Social Services	114,600	106,272	8,328
Recreation and Culture	253,030	198,647	54,383
Roads	903,419	818,304	85,115
Bus Service	14,000	7,434	6,566
Other Transportation Facilities and Services	7,500		7,500
Debt Service	36,000	31,698	4,302
Capital Projects	1,086,305	531,078	555,227
Administration	1,095,357	572,844	522,513
Total Operating Budget - All General Fund Types	\$ 8,047,437	\$ 6,042,475	\$ 2,004,962
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	1,324,000	1,324,000	
Transfers to Public Property			
Corporation Fund	359,600	345,433	14,167
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 9,731,037	\$ 7,711,908	\$ 2,019,129

CLARK COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 603,300	\$	\$ 603,300
Protection to Persons and Property	54,000		54,000
General Health and Sanitation	783,090	633,367	149,723
Recreation and Culture	1,638,150	562,117	1,076,033
Debt Service	135,442	135,442	
Total Operating Budget - All Special Revenue Fund Types	\$ 3,213,982	\$ 1,330,926	\$ 1,883,056
Other Financing Uses:			
Capital Leases - Principal	96,558	474,000	(377,442)
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 3,310,540</u>	<u>\$ 1,804,926</u>	<u>\$ 1,505,614</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Drew Graham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Clark County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated February 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clark County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 7, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Drew Graham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Clark County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Clark County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clark County's management. Our responsibility is to express an opinion on Clark County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clark County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clark County's compliance with those requirements.

In our opinion, Clark County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Clark County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clark County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 7, 2002

FINDINGS AND QUESTIONED COSTS

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Clark County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Clark County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Clark County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Clark County reported in Part C of this schedule.
7. The program tested as a major program was: East Clark Water District Rural Water Extension Project
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Clark County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grants/State's Program - East Clark County Water District Rural Water Extension Project (CFDA #14.228)	B-96-DC-21-0001(059)	\$ 521,278
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet: Innovative Local Law Enforcement and Community Policing (CFDA #16.588)		
	1999-JF-FX-0721(ILLECP-4)	25,655
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Emergency Management Assistance Grants- (CFDA # 83.552)	M-00228845	5,308
Hazard Mitigation Grant Program (CFDA # 83.548)	FEMA-1216-DR-KY-009	7,486
Chemical Stockpile Emergency Preparedness Program (CFDA # 83.549)	M-00228677	<u>75,521</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 635,248</u></u>

CLARK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - The federal expenditures for the East Clark County Water District Rural Water Extension Project include grants to the following subrecipient:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
East Clark County Water District	\$492,246

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CLARK COUNTY FISCAL COURT

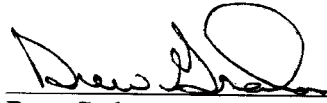
Fiscal Year Ended June 30, 2001

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
CLARK COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Drew Graham
Clark County Judge/Executive



Jean Logsdon
Clark County Treasurer

